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DEPARTMENT FOR EUR/CARC AND EB/ESC
DEPT OF ENERGY FOR FE - SWIFT AND OS - WILLIAMSON

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SUBJECT: EUR DAS MATT BRYZA AND TURKISH ENERGY ENVOY MEET
SOCAR PRESIDENT ROVNAG ABDULLAYEV

Classified By: Charge d'Affaires Jason P. Hyland, reasons 1.4 (b,d,e).

1. (C) SUMMARY. EUR DAS Matthew J. Bryza and Turkish Special Energy Envoy Ambassador Mithat Balkan met with Rovnag Abdullayev, President of Azerbaijan's State Oil Company (SOCAR) on June 7 to discuss the southern gas corridor proposal. Abdullayev said Azerbaijan is grateful for U.S. support over the years for its energy projects. Abdullayev's priority on the oil side is bringing Kazakhstani volumes into BTC, and on the gas side he feels confident pushing forward with Phase I and II of Shah Deniz development and gas exports to Europe. DAS Bryza stressed the importance of moving quickly to expand gas production, given Gazprom's strong push to secure available markets in Greece and Italy. Ambassador Balkan noted that the southern gas corridor is not anti-Russian, but anti-monopoly and pro-competition. Abdullayev agreed but stressed the importance of political support from the United States. DAS Bryza said the United States would provide that support as the countries and companies developed commercially viable projects. END SUMMARY.

2. (U) Immediately following their June 7 meeting with SOCAR Vice President (Marketing) Elshad Nasirov (septel), DAS Bryza and Turkish Energy Envoy Ambassador Balkan met with SOCAR President Rovnag Abdullayev in a formal setting that included Charge, Nasirov and some other SOCAR officials.

3. (C) Abdullayev began the meeting by noting that BTC was not the end but a beginning, and that more energy projects lie ahead. The United States has helped Azerbaijan "very much" in its pursuit of energy projects over the years, said Abdullayev, and Azerbaijan is grateful. Abdullayev said that continued U.S. support will be vital in the coming years. Bringing Kazakhstan's oil into BTC is the number one priority on the oil side, said Abdullayev. On the gas side, Abdullayev pointed out Azerbaijan's current dependence on Gazprom and need for an alternative. Abdullayev said that he had recently had good meetings with BP and Statoil about the second phase of development for the Shah Deniz field. Abdullayev also mentioned the Nabucco project and said that Azerbaijan is prepared to provide gas volumes in support of it. Nevertheless, Azerbaijan is still dependent on Gazprom for 50 percent of its gas needs and therefore must move cautiously.

4. (C) DAS Bryza stressed the need for gas projects to move

quickly, and briefly sketched the concept of delivering Azerbaijani gas to Greece and Italy through Turkey. Gazprom, observed Bryza, is spreading disinformation in Athens and Rome that Azerbaijani gas volumes are insufficient to meet the needs of Greece and Italy. Meanwhile, Bryza said, Gazprom is pushing hard for the Turkey-Greece-Italy Interconnector (TGI) to accept only Gazprom gas, "blocking the artery" against any future competitor. Azerbaijan, Turkey, the gas producers and potential customers need to come together and work out a solution, said Bryza. The United States will provide political support for the southern gas corridor project as companies and countries work together to realize commercially viable projects.

¶5. (C) Ambassador Balkan noted that Turkey buys 65 percent of its gas from Gazprom. The idea of the southern gas corridor is not "anti-Russia" but a legitimate way to protect commercial and economic interests by encouraging competition. Abdullayev agreed.

¶6. (C) DAS Bryza said that it is clear that Azerbaijan, Turkey and the United States are aligned on this issue, the question now is next steps. Abdullayev said that the Phase I and Phase II development plans for Shah Deniz would go forward. (He did not mention full-field development beyond Phase II.) All Azerbaijan needs is political support, said Abdullayev - there are no technical problems with these projects. Bringing in Central Asian volumes is a future possibility, he added, but echoed Nasirov's argument in reftel that securing Turkmenistan's cooperation will be difficult. Turkmenistan is a political issue, not an economic one. All agreed it might make more sense to secure Kazakhstan's participation in the southern corridor first.

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¶7. (U) DAS Bryza has cleared this cable.
HYLAND